



DAP RELEASE 1.5.6

WHAT'S NEW FOR MAP LENDERS

(EFFECTIVE 04/19/2004)

Release Summary: This release adds Project based Section 8 processing support in Tracking, Valuation and Mortgage Credit and specific support for hypothetical market rate expense analysis for 223f projects with Project Based Section 8, LIHTC and/or Tax Exempt Bonds in Valuation.

I. TRACKING PROJECT BASED SECTION 8

- A. *New Application Window 2.*** Special Characteristic section now includes a *Project based Section 8* indicator. Check this indicator if the project has Section 8 contract rents.
- B. *Admin – General Tab.*** Special Characteristic section now includes a *Project based Section 8* indicator. Check this indicator if the project has Section 8 contract rents.

II. PROCESSING PROJECT BASED SECTION 8 IN VALUATION

- A. For 220, 221d3, 221d4, or 223f projects with Project based Section 8, LIHTC and/or Tax Exempt Bonds:**
 - 1. *Estimate of Income***
 - a. The Appraiser can now indicate if the project has *Project Based Section 8 Rent*, *Restricted Rents* or both *Project based Section 8 Rent and Restricted Rents* on the Rent Schedule Maintenance window (Figure 1). **Table 1** illustrates what other entries the Appraiser will enter if one or both of these indicators are checked.
 - b. If Section 8 indicator is checked, a note will be printed in the remarks section of the HUD-92264-T indicating the rent schedule has Project based Section 8 rents.
 - 2. *Validation on the Closing of a Valuation Assignment.*** The Appraiser will not be able to close the Valuation Assignment if *Project based Section 8* indicator is checked in Tracking and the Valuation assignment does not have at least one Section 8 Contract Rent Schedule.
 - 3. *Warning Message if inconsistency between Tracking and the Estimate of Income.*** The system will display a warning message (Figure 5) if the Valuation assignment has Section 8 Contract Rent Schedule and/or Restricted Rent Schedule and the Project based Section 8, LIHTC and/or Tax Exempt Bond special characteristic has been unchecked from Tracking. The Appraiser must resolve the discrepancy before closing the Valuation assignment.

4. HUD-92264 Section C – Estimate of Income.

- a. If both Restricted Rents and Section 8 indicators are checked for Rent Schedule, (S) will be displayed after Total Monthly Rent for Unit Type field to indicate that this project has Section 8 contract rents
- b. If only Section 8 indicator is checked for Rent Schedule, (S) will be displayed after Total Monthly Rent for Unit Type field to indicate that this project has Section 8 contract rents
- c. If only Restricted Rent indicator is checked for Rent Schedule, “(R)” will be displayed after Total Monthly Rent for Unit Type field to indicate that this project has restricted rents.

Figure 1: Rent Schedule Maintenance – top portion of window – No Project based Section 8, LIHTC or Tax Exempt Bonds

Table 1: Fields Appraiser must enter if Project based Section 8 and/or Restricted Rents are Indicated.

Rent Schedule field	Both Project based Section 8 Contract Rent & Restricted Rent (see Figure 2)	Project based Section 8 Contract Rent only (see Figure 3)	Restricted Rents only (see Figure 4)
Rent by Market Comparison	entered by the Appraiser	entered by the Appraiser	entered by the Appraiser
Income Limit Percentage (40,50,60)	entered by the Appraiser	n/a	entered by the Appraiser
Income Limit	entered by the Appraiser	n/a	entered by the Appraiser
Max Affordable Rent	calculated	n/a	calculated
Est. Obtainable Rent	n/a	n/a	entered by the Appraiser
Section 8 Contract Rent	entered by the Appraiser	entered by the Appraiser	n/a
Unit Rent Per Month	calculated: lesser of Rent by Market Comparison or Section 8 Contract Rent	calculated: lesser of Rent by Market Comparison or Section 8 Contract Rent	calculated: lesser of Rent by Market Comparison or Max Affordable Rent or Est. Obtainable Rent

Valuation - Rent Schedule Maintenance

Rent Schedule ID: (a) Unit Type: 1 Bedroom Building Type: Highrise Quantity: 33

Restricted Rent: ☒ Unit Rent Per Month: \$650 Rentable Area: 850

Section 8: ☒

Rent by Market Comparison: \$1,250 Special Characteristics:

PBE Amount:

☐ 40% ☒ 50% ☐ 60%

Income Limit: \$35,000

Max. Affordable Rent: \$875

Section 8 Contract Rent: \$650

Figure 2: Rent Schedule Maintenance – top portion of window – Project based Section 8 and Restricted Rents

Valuation - Rent Schedule Maintenance

Rent Schedule ID: (a) Unit Type: 1 Bedroom Building Type: Highrise Quantity: 33

Restricted Rent: ☐ Unit Rent Per Month: \$650 Rentable Area: 850

Section 8: ☒

Rent by Market Comparison: \$1,250 Special Characteristics:

PBE Amount:

☐ 40% ☐ 50% ☐ 60%

Income Limit:

Max. Affordable Rent:

Section 8 Contract Rent: \$650

Figure 3: Rent Schedule Maintenance – top portion of window – Project based Section 8

Valuation - Rent Schedule Maintenance

Rent Schedule ID: (a) Unit Type: 1 Bedroom Building Type: Highrise Quantity: 33

Restricted Rent: ☒ Unit Rent Per Month: \$725 Rentable Area: 850

Section 8: ☐

Rent by Market Comparison: \$1,150 Special Characteristics:

PBE Amount:

☐ 40% ☒ 50% ☐ 60%

Income Limit: \$30,000

Max. Affordable Rent: \$750

Est. Obtainable Rent: \$725

Figure 4: Rent Schedule Maintenance – top portion of window – Restricted Rents

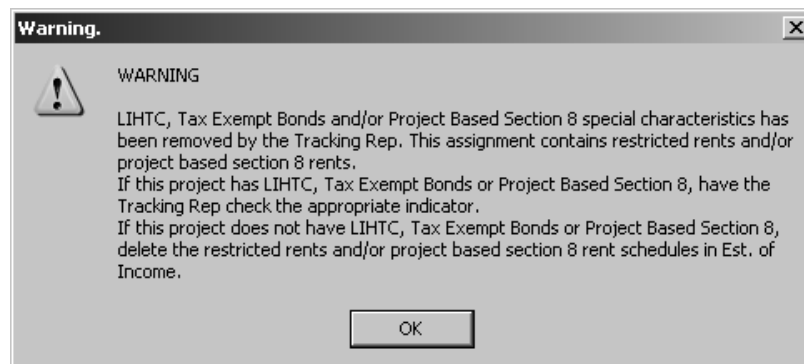


Figure 5: Warning Message - Inconsistency between Tracking and Est. of Income

B. For 223f projects with Project based Section 8, LIHTC and/or Tax Exempt Bonds:

1. ***Estimate of Expenses.*** The Appraiser must enter Hypothetical Market Rate Expenses.
 - a. The Appraiser has the option to copy the Actual Expenses to the Hypothetical Market Rate Expenses.
 - b. The Appraiser may enter the amount of the Replacement Reserve for the Hypothetical Market Rate Expenses but it is not mandatory.
2. ***Warning Message if inconsistency between Tracking and the Estimate of Expenses.*** The system will display a warning message (Figure 6) if the Valuation assignment has Hypothetical Market Rate Expenses and the Project based Section 8, LIHTC and/or Tax Exempt Bond special characteristic has been removed from Tracking. The Appraiser will have the option to delete the Hypothetical Market Rate Expenses in Est. of Expenses. The Appraiser must resolve the discrepancy before closing the Valuation assignment.

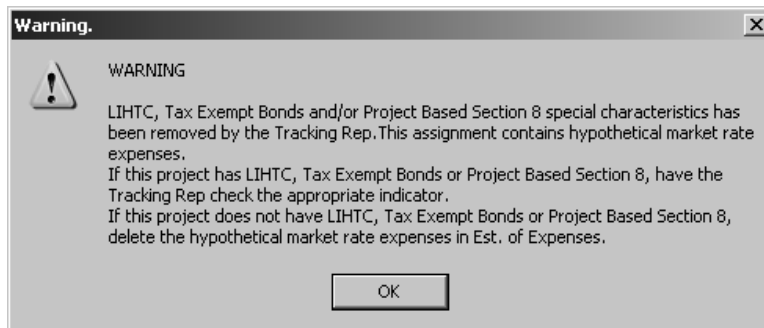


Figure 6: Warning Message - Inconsistency between Tracking and Est. of Expenses

3. *Income Approach to Value.*

- a. *Net Income* will be calculated using Market Rate Rents and Hypothetical Market Rate Expenses (see Figure 7).
- b. When determining the *Capitalized Value*, the Appraiser should based the value on the Hypothetical Market Value. A comment has been added next to the Capitalized Value Selected field as a reminder (see Figure 7).

Valuation - Income Approach to Value

Project Name: Proj/FHA Number:

Project Address:

Estimated Remaining Economic Life : Years (A)

Mortgage Terms

Requested : Years

Calculated : Years

Allowable : Years

Capitalized Rate Determined By:

☒ Overall Rate From Comparable Projects

☐ Rate From Band of Investment

☐ Cash Flow to Equity

Rate Selected : % (B)

Net Income : (C) based on Rent by Market Comparison and Market Rate Expenses

Calculated Capitalized Value (C/B) : (D)

Capitalized Value Selected : (E) based on Hypothetical Market Value

Ground Rent : (F)

Cap Rate : % (G)

Calculated Value of Leased Fee (F/G) : (H)

Value of Leased Fee Selected : (I)

Notes...

Figure 7: Income Approach to Value - 223f with Project based Section 8, LIHTC and/or Tax Exempt Bonds

4. *Reconciliation*

- a. The Appraiser can now designate which income factors to use with Criterion 3 and 5 (Figure 8).
 - (1) You may check Project based Section 8 Rent box only if a Project based Section 8 rent schedule exists for the project. DAP will check this box under Criterion 5, by default, if a Project based Section 8 Rent Schedule exists.
 - (2) You may check LIHTC Rent box only if a Restricted Rent Schedule exists for this project. DAP will check this box under Criterion 5, by default, if a Restricted Rent Schedule exists.
 - (3) You may check Market Rent for Criterion 3 or 5. DAP will default to a check in Market Rent for Criterion 3. The Appraiser enters the Fair Market Value (Value of Fee Simple for Criterion 3) on the Reconciliation tab.
 - (4) You cannot change the Hypothetical Market Rate Expense under Criterion 3, nor the Actual Expense under Criterion 5

Valuation - Reconciliation																				
Project Name:	Evergreen Park Apartments	Proj/FHA Number: 05211009																		
Project Address:	1480 Unionville Road Pocomoke City, MD 21851-3402																			
Capitalization :	\$3,365,362	Summation: \$3,370,000																		
		Comparison : \$3,145,000																		
<p>The Fair Market Value of the Property, as of the Effective Date of the Appraisal, is :</p> <p>\$3,370,000</p> <table border="1"> <thead> <tr> <th></th> <th>For Criterion 3 Use</th> <th>For Criterion 5 Use</th> </tr> </thead> <tbody> <tr> <td>Market Rent</td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Section 8 Rent</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> </tr> <tr> <td>LIHTC Rent</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> </tr> <tr> <td>Hypothetical Market Rent Expenses</td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Actual Expenses</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> </tr> </tbody> </table>				For Criterion 3 Use	For Criterion 5 Use	Market Rent	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Section 8 Rent	<input type="checkbox"/>	<input checked="" type="checkbox"/>	LIHTC Rent	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Hypothetical Market Rent Expenses	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Actual Expenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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Actual Expenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>																		

Figure 8: Reconciliation - 223f projects with Project based Section 8, LIHTC and/or Tax Exempt Bonds

5. **Validation on the Closing of a Valuation Assignment.** The Appraiser will not be able to close the Valuation Assignment if *Project based Section 8, LIHTC and/or Tax Exempt Bond* indicator is checked in Tracking and the Valuation assignment does not have Hypothetical Market Rate Expenses.
6. **HUD-92264 (Master).**
 - a. *Section E – Estimate of Expenses.* “(Actuals)” label will be displayed after “E. Estimate of Annual Expense” heading.
 - b. *Section F – Income Computation.* “(based on Restricted Income and Actual Expenses)” label will be displayed after “F. Income Computation” heading.
 - c. *Section K – Income Approach to Value.*
 - (1) “(Hypothetical Market Value)” label will be displayed after “K. Income Approach to Value” heading.
 - (2) “based on Rent by Market Comparison and Market Rate Expenses” label will be displayed after line (4) “Net Income F34”.
 - (3) Net Income = HUD-92264 Market Rate Section F line 34 (net income based Market Rate Rents & Expenses)

7. HUD-92264 Market Rate.**a. Section C – Estimate of Income.**

- (1) “(based on hypothetical market rents)” label will be displayed after Section C. Estimate of Income heading.
- (2) Rent by Market Comparison will be displayed in the Total Monthly Rent for Section 8 or Restricted Rent Schedules.

b. Section E – Estimate of Expenses.

- (1) “(hypothetical market expenses)” label will be displayed after the “E. Estimate of Annual Expense” heading.
- (2) Expenses will be based on the Hypothetical Market Rate Expenses entered by the Appraiser.

c. Section F – Income Computation.

- (1) “(Based on hypothetical market NOI)” label will be displayed after “F. Income Computation” heading.
- (2) For line 30a, Estimated Residential Project Income is based on Market Rate Rents.
- (3) For line 30e, Total Residential and Ancillary Project Expenses is based on Hypothetical Market Rate Expenses.

d. Section K – Income Approach to Value.

- (1) “(Hypothetical Market Value)” label will be displayed after “K. Income Approach to Value” heading.
- (2) “based on Rent by Market Comparison and Market Rate Expenses” label will be displayed after line (4) “Net Income F34”.
- (3) Net Income = HUD-92264 Market Rate Section F line 34 (net income based Market Rate Rents & Expenses).

III. PROCESSING PROJECT BASED SECTION 8 IN MORTGAGE CREDIT

A. HUD-92264-A Criterion 5. For 223f projects with Section 8 Rents, LIHTC and/or Tax Exempt Bonds, Net Income for Criterion 5 (5E) will be based upon what the Appraiser selected on the *Reconciliation tab* in Valuation (*refer to item II 4 B above*).

- 1.** If the Appraiser selects to use *Section 8 and/or LIHTC Rents and Actual Expenses*, Net Income for Criterion 5 will come from HUD-92264 (master) section F line 34.
- 2.** If the Appraiser selects to use *Market Rent and Actual Expenses*, Net Income for Criterion 5 will be based on Market Rate Rents and Actual Expenses.